

## Credit Opinion

25 June 2025

Ratings	
Senior Unsecured Debt Rating	A <sub>g</sub> -
Long-Term Credit Rating	A <sub>g</sub> -
Outlook	Stable
Category	Corporate
Domicile	China
Rating Type	Solicited Rating

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## Yancheng Oriental Investment & Development Group Co., Ltd.

### Surveillance credit rating report

**CCXAP upgrades Yancheng Oriental Investment & Development Group Co., Ltd.'s long-term credit rating to A<sub>g</sub>-, with stable outlook.**

### Summary

CCXAP has upgraded the long-term credit rating of Yancheng Oriental Investment & Development Group Co., Ltd. ("YOID" or the "Company") to A<sub>g</sub>- from BBB<sub>g</sub>+, reflecting our assessment of the Company's strong business position and continued development mandate within the Yancheng Economic and Technological Development Zone ("ETDZ"), characterized by high livelihood attributes and good sustainability.

The A<sub>g</sub>- long-term credit rating of YOID reflects (1) the Yancheng Municipal Government's very strong capacity to provide support; and (2) the local government's high willingness to provide support, based on our assessment of the Company's characteristics.

Our assessment of the local government's capacity to support reflects Yancheng City's growing economic and fiscal strengths, with good industrial development. Yancheng ETDZ is a national-level ETDZ in Yancheng City that mainly develops automotive, crystalline silicon photovoltaic, and power battery.

The rating also reflects the local government's willingness to support, which is based on the Company's (1) full ownership and ultimate control by the Yancheng Municipal Government; (2) strategic role in Yancheng City, particularly in the Yancheng ETDZ; and (3) good track record of receiving government support. However, the rating is constrained by the Company's (1) high exposure to commercial activities; (2) high debt leverage and moderate asset liquidity; and (3) large external guarantee associated with local state-owned enterprises ("SOE").

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.

## Rating Drivers

- Strategic role in Yancheng City, particularly in Yancheng ETDZ
- Undertaking important infrastructure construction and public utility services in Yancheng ETDZ
- Good track record of receiving government support
- High exposure to commercial activities
- High debt leverage and moderate asset liquidity
- Large external guarantee associated with local SOEs

## Rating Sensitivities

### What could upgrade the rating?

The rating could be upgraded if (1) the local 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 local 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, weakened financing ability or material deteriorated contingent risks.

## Key Indicators

	2022FY	2023FY	2024FY	2025Q1
Total Assets (RMB billion)	67.2	78.7	92.3	95.6
Total Equity (RMB billion)	24.7	25.4	34.9	34.7
Total Revenue (RMB billion)	2.5	2.9	3.5	0.7
Total Debt/Total Capital (%)	64.6	67.8	60.5	61.8

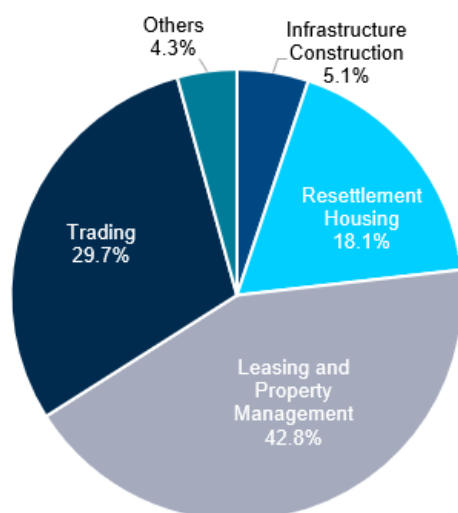
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

## Corporate Profile

Established in 2003, YOID is one of the major local infrastructure investment and financing companies ("LIIFC") for the Yancheng Municipal Government and 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. As a national-level development zone, Yancheng ETDZ occupies an important position in Jiangsu Province with its industrial base of the Internet plus advanced manufacturing. The Company is also engaged in property leasing and management, equity investment, trading, and financial services businesses such as finance leasing and guarantee loans. It reported total assets of RMB95.6 billion as of 31 March 2025.

### Exhibit 1. Revenue structure in 2024



Source: Company data, CCXAP research

## Rating Considerations

### Government's Capacity to Provide Support

We believe the Yancheng Municipal Government has very strong capacity to provide support given its good economic fundamentals and fiscal strengths. Yancheng ETDZ is a national ETDZ in Yancheng City that mainly develops automotive, crystalline silicon photovoltaic, and power battery.

Jiangsu Province is one of the leading and well-developed provinces in China. It is home to many of the world leading enterprises of electronic equipment, chemical, and textile. Jiangsu Province is the second largest province in China by gross regional product ("GRP"), after Guangdong Province. In 2024, its total GRP amounted to RMB13.7 trillion, a year-over-year ("YoY") increase of 5.8%. The per capita GRP also ranked top among all provinces in China for years.

Yancheng City is a prefecture-level city in Jiangsu Province, with a good economic foundation. Based on its advantageous traditional industries including autos, textiles, steel, and chemical industries, Yancheng City is undergoing an economic transition and is developing emerging industries such as new energy vehicles and core components, new energy, new generation information technology, new materials, big health and digital economy and ocean economy industries, which help support sustainable economic growth in the long run. In 2024, Yancheng City achieved a GRP of RMB777.9 billion with a 5.5% YoY growth rate. The general budgetary revenue increased annually on the back of steady economic growth and optimized upgrading of the industrial structure. In 2024, the Yancheng Municipal Government achieved a general budgetary and tax revenue of RMB49.6 billion and RMB33.5 billion. However, the fiscal balance ratio (calculated by general budgetary revenue over general budgetary expenditure) remained moderate, with a 3-year average ratio of 41.4%. As of the end of 2023, the local government's outstanding debt increased to RMB196.2 billion, accounting for around 25.2% of GRP.

**Exhibit 2. Key economic and fiscal indicators of Yancheng City**

	2022FY	2023FY	2024FY
GRP (RMB billion)	708.0	740.4	777.9
GRP Growth (%)	4.6	5.9	5.5
General Budgetary Revenue (RMB billion)	45.3	48.3	49.6
General Budgetary Expenditure (RMB billion)	111.8	122.8	114.1
Local Government Debt (RMB billion)	153.5	165.5	196.2

Source: Statistics Bureau of Yancheng City, CCXAP research

Formed in 1992, Yancheng ETDZ was upgraded to the national level in 2010 and approved as Yancheng Comprehensive Bonded Zone in 2012. It serves as the core area of China-Korea Yancheng Industrial Park. After years of dedicated development, Yancheng ETDZ has formed a mature industrial structure, dominated by automotive, crystalline silicon photovoltaic and power battery industries. In 2024, the investment momentum remained robust and there were 72 projects with an investment exceeding RMB100 million newly signed in Yancheng ETDZ and 42 projects starting construction, including Exencell 18GWh Energy Storage Battery project and China FAW Yancheng Production Base. In 2024, the Yancheng ETDZ achieved a GDP of RMB39.3 billion, an 2.3% increase YoY; and the real-time invoicing revenue of enterprises above the designated size exceeded RMB114.4 billion. Along with the economic development, the fiscal strength of the Yancheng ETDZ also demonstrated a notable increase in recent years. However, the revenues from governmental fund in Yancheng ETDZ continued to decline due to the weakened land market conditions.

**Government's Willingness to Provide Support****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. Among various LIIFCs operate across Yancheng City, there are two major platforms in Yancheng ETDZ, including YOID and Jiangsu Century New City Investment Holding Group Company ("Century New City"). Both entities are responsible for the infrastructure construction and resettlement houses within the region, with clear geographic division. The Company is responsible for the development and construction of about 70 square kilometers in the main urban area of the Yancheng ETDZ, while Century New City is responsible for the development mainly in the Hedong area. As the major infrastructure construction company in Yancheng ETDZ, YOID is entrusted by the local government to solely undertake the construction of public infrastructure and social welfare facilities in the main urban area of the Yancheng ETDZ. YOID is important to the economic and social development of the Yancheng ETDZ and Yancheng City.

**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 is also engaged in local resettlement housing construction projects sold to relocated households. The Company's public projects are important to the development of Yancheng City and the Yancheng ETDZ, and most of the infrastructure construction projects, including the upgrade of the transportation network and utility facilitates will benefit the local citizens.

YOID takes part in infrastructure construction business in the Yancheng ETDZ through agency construction model. The Company is responsible for financing and construction of the projects assigned by the local government and receives project repayments from the Finance Bureau of the Yancheng ETDZ based on the

total cost plus certain percentage markups, generally around 20%, according to the project progress. As of 31 March 2025, the Company had 6 infrastructure projects under construction and 7 projects under planning, with an expected total investment amount of around RMB48.0 million and around RMB1.4 billion, respectively. These projects mainly include the construction of roads, water plants, parks, and the Company will undertake other public facilities projects in the future in accordance with government planning. The sufficient project reserves indicate strong sustainability of the Company's infrastructure construction business but exert certain capital expenditure pressure.

The Company's resettlement housing business is carried out under the planning of the Management Committee of Yancheng ETDZ and the housing is intended for sale to resettled households upon completion. In order to safeguard the profitability of the Company's business, the sales price (expected profit of approximately 8% of the cost) is ultimately approved by the Management Committee of Yancheng ETDZ, following which a repurchase agreement is signed between the Company and the Finance Bureau of the Yancheng ETDZ. As of 31 March 2025, the Company's completed resettlement housing projects have all been sold and recognized revenue. At the same time, the Company had 2 resettlement housing projects under construction, with a total investment of RMB3.3 billion and an outstanding investment of RMB1.5 billion.

### **Good track record of receiving government support**

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. In addition, from 2022 to 2024, the Company had received ongoing government subsidies with a total value of RMB579.0 million; and the Company received infrastructure project payments of RMB1.1 billion. However, the project payments are volatile because they have a close linkage with the government's fiscal position and local land market. Despite the track record of ongoing project payments received over the past three years, there are relatively large receivables due from the local government. Given YOID's important position and contribution to regional economic development, we believe that the Company will continue to receive project payments and other government support in the future.

### **High 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 proportion and size of commercial activities assets has been increasing with the continued investment, representing 30% to 40% of the Company's total assets according to our estimation. Most of its commercial activities are self-sustaining while having a certain degree of market uncertainty and counterparty risks.

YOID possesses good-quality leasing assets generating considerable revenue and sound gross profit. In 2024, the Company's property leasing and management revenue grew to RMB1.5 billion with the completion and commissioning of self-operating projects, representing 42.8% of its total revenue. As of 31 March 2025, YOID conducted property leasing with a total leasable area of approximately 2.5 million square meters ("sqm") including standard factories, office buildings, industrial parks and an exhibition center. The majority of the Company's rental properties are located in Yancheng ETDZ, and some are also located in Shanghai, which provide supplement revenue but are also subject to additional market risks. For the properties rented out below market prices driven by the policy of attracting investments from enterprises, the Company can receive government subsidies from the Management Committee of Yancheng ETDZ. As of 31 March 2025, the Company had 3 self-operating projects under construction and one project under planning with an outstanding investment amount of RMB2.3 billion and an expected total investment amount of RMB800.0 million,

respectively. Most of these projects are developed for rental purpose in the future.

Moreover, the Company has a large scale of external equity investment, including listed company equity, non-listed company equity, venture capital funds and equity investment funds, and mainly invested in automobiles, new energy equipment, and electronic information which is highly in line with the industrial development of Yancheng ETDZ. As of end-2024, the Company's long-term equity investments and other non-current financial assets totaled RMB10.3 billion, accounting for 11.1% of its total assets. In 2024 and the first quarter of 2025, the Company achieved investment income of RMB19.4 million and RMB159.3 million respectively, demonstrating relatively good but volatile returns from the equity investment business. The equity investment and funds exit mainly through IPO, secondary market, or shareholder buyback. However, the returns of these investments are subject to the operation risk and financial performance of the investees. In addition, the returns of listed companies are subject to the price volatility of the stock market.

The Company's trading business generated a considerable amount of revenue but a relatively unstable gross profit margin, with a small loss in 2024 due to fluctuating market conditions. The products mainly include commodities, mineral products, non-ferrous metals, chemical raw materials, fuel oil, and building materials. The Company adopts demand-on-purchase mode which means orders to upstream suppliers would be placed only when the sale contracts are signed with downstream customers. In 2024, the customer concentration risk was relatively high as the Company's customers are primarily a private-owned listed enterprise and its subsidiaries. In recent years, there have been significant changes in terms of the products and counterparties of the Company's trading business based on risk control considerations, requiring attention to the stability and profitability of the business.

#### **High debt leverage and moderate asset liquidity**

YOID had high debt growth owing to its debt-driven business expansion over the past years. As of 31 March 2025, the Company's total debt (including perpetual debt) increased to RMB54.5 billion from RMB48.9 billion as of the end of 2023. The total capitalization ratio, measured by total debt to total capital, decreased to 61.8% from 67.8%, which was primarily driven by RMB9.6 billion of capital injections from minority shareholders into YOID's subsidiaries. In addition, the Company bore a relatively high short-term debt burden with the short-term debt accounting for 36.1% of the total debt and the cash to short-term debt ratio was low at 0.3x as of 31 March 2025. YOID faces sizable investment commitments, including infrastructure projects, rental/operation projects, and external investments. Considering the time lag in government payments, the outstanding investment in these projects may rely on external financing, we expect the Company's debt level will continue to increase and its debt leverage will remain relatively high in the next 12 to 18 months.

**Exhibit 3. Key public projects under construction and planning as of 31 March 2025**

Exhibit of Key public projects under construction and planning as of 31 March 2020				
Project types	No. of projects	Budgeted amount	Invested amount	Outstanding amount
		(RMB million)	(RMB million)	(RMB million)
<b>Projects Under Construction</b>				
Infrastructure Construction	6	148	100	48
Resettlement Housing	2	3,300	1,766	1,534
Rental and Operation Property	3	3,800	1,457	2,343
<b>Project Under Planning</b>				
Infrastructure Construction	7	1,438	-	1,438
Rental and Operation Property	1	800	-	800
<b>Total</b>	<b>19</b>	<b>9,486</b>	<b>3,323</b>	<b>6,163</b>

Source: Company information, CCXAP research

Besides, YOID's asset liquidity was moderate, with constraints stemming from the substantial receivables and certain restricted assets. The Company's receivables (including accounts receivables and other receivables) represented a significant 49.4% of total assets, and the primary obligors are Finance Bureau of Yancheng ETDZ, government units and local SOEs, with long recovery periods and low liquidity. Meanwhile, the Company's rental property as well as equity and fund holding accounted for around 24.0% and 11.1% of its total assets, respectively. While rental properties generate recurring income for the Company, the return on financial investments is uncertain. On top of that, as of 31 March 2025, the Company pledged a number of assets including cash, inventories, and investment properties for loans with a total restricted amount of RMB21.1 billion, accounting for 22.0% of total assets, which may undermine the Company's financing flexibility.

**Diversified funding sources**

YOID's large investment needs could be supported by its diversified financing channels. The Company has an active presence in the onshore and offshore debt capital markets and maintains good relationships with large domestic banks. As of 31 March 2025, it had total credit facilities of approximately RMB61.4 billion from banks with an unused portion of RMB28.8 billion, mainly from large state-owned banks and joint-stock commercial banks. YOID also has access to both onshore and offshore debt capital markets and has a track record of issuing different financial products in the onshore bond market such as SCPs, MTNs and PPNs. From January to April 2025, the Company issued 9 tranches of onshore bonds, raising RMB5.0 billion. However, the Company had moderate exposure to nonstandard financing, accounting for around 15.3% of total debt as of 31 March 2025, which may exert a relatively high pressure on debt repayment.

**Large external guarantee associated with local SOEs**

YOID's credit profile is undermined by its large number of external guarantees. As of 31 March 2025, the total amount of external guarantees (including the exposure to its guarantee business) was RMB16.1 billion, accounting for around 47.6% of its adjusted net assets (excluding perpetual debt and other items treated as debt in minority interests). After excluding the exposure to its guarantee business, the Company still had an external guarantee of RMB16.0 billion primarily provided to other SOEs in Yancheng City. The practice of mutual guarantees among local SOEs is common in Yancheng City. In case a credit event occurs, the Company may face large contingent liability risks and cross-default risks.



The Company's guarantee business is conducted by its subsidiaries to private-owned enterprises and some SOEs in automobile, construction and new energy within the Yancheng ETDZ. As of 31 March 2025, the Company provided guarantees to these enterprises with a cumulative guarantee balance of RMB229.0 million and principal to be recovered of RMB96.0 million. The Company's guaranteed businesses are all provided with adequate counter-guarantee measures. However, some of the guaranteed companies, such as Senfeng Group Co., Ltd., have gone through bankruptcy and reorganization in the past three years. The poor operating performance of the guaranteed companies could increase the contingent liability risks for YOID.

## ESG Considerations

YOID bears environmental risks because it undertakes infrastructure construction and resettlement housing projects in Yancheng ETDZ. Such risks could be moderated by conducting environmental studies and detailed planning before the commencement of projects and close supervision during the construction.

YOID is also exposed to social risks as it implements public-policy initiatives by building public infrastructure in Yancheng ETDZ. Demographic changes, public awareness and social priorities shape the government's development strategy and targets on YOID, and it will affect the government's propensity to support the Company.

YOID's governance considerations are also material as it is subject to oversight and reporting requirements to the local government and has to meet several reporting requirements, reflecting its public-policy role and status as a government-owned entity.

## Structural Consideration

YOID's senior unsecured debt rating is equivalent to its long-term credit rating. We believe that government support will flow through the Company given its important strategic position in the development of Yancheng ETDZ, thereby mitigating any differences in an expected loss that could result from structural subordination.

## Rating Methodology

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



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