

Credit Opinion

23 June 2026

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	A _g
Outlook	Stable

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Yancheng City Assets Investment Group Company Limited

Surveillance credit rating report

CCXAP upgrades the long-term credit rating of Yancheng City Assets Investment Group Company Limited to A_g, with stable outlook.

Summary

CCXAP has upgraded the long-term credit rating of Yancheng City Assets Investment Group Company Limited (“YCAI” or the “Company”) to A_g from A_{g-}, reflecting the Company’s improved financial flexibility underpinned by prudent debt management, and its continued strategic importance in Yancheng City, which sustains the ongoing government support.

The A_g long-term credit rating of YCAI reflects (1) the Yancheng Municipal Government’s very strong capacity to provide support; and (2) the local government’s very high willingness to provide 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.

The rating also reflects the local government’s willingness to support, which is based on the Company’s (1) strong position as the largest LIIFC in Yancheng City, specializing in local infrastructure construction, primary land consolidation and public services; (2) good track record of receiving government support; and (3) good access to different financing channels.

However, the rating is constrained by the Company’s (1) medium risk exposure to commercial activities; (2) moderate asset liquidity; and (3) large exposure to external guarantees.

The stable outlook on YCAI’s rating reflects our expectation that the local government’s capacity to support will remain stable, and the Company will maintain its strategic position in local public services and infrastructure construction in Yancheng City over the next 12 to 18 months.

Rating Drivers

- The largest infrastructure construction and primary land consolidation company in Yancheng City
- Important role in public services of Yancheng City
- Medium risk exposure to commercial activities
- Good track record of receiving government support
- Slowing debt growth, yet leverage remains high
- Weak balance sheet liquidity moderated by good access to different financing channels
- Large exposure to external guarantees while mainly provided to other 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 increased importance in public-policy activities, or material decrease in 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 the decrease in the importance of its policy role, material decrease in government payments, or deteriorated refinancing ability.

Key Indicators

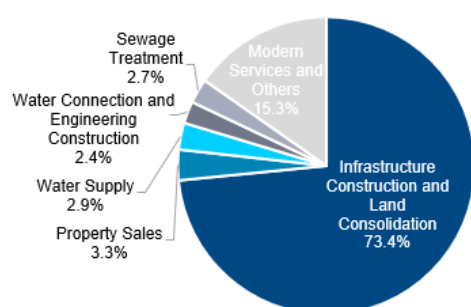
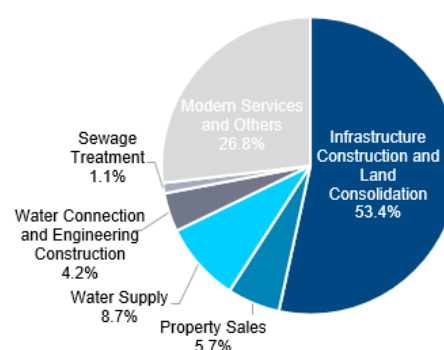
	2023FY	2024FY	2025FY	2026Q1
Total Assets (RMB billion)	138.1	146.8	151.2	155.0
Total Equity (RMB billion)	43.0	46.4	48.1	48.3
Total Revenue (RMB billion)	7.3	8.5	9.7	2.6
Total Debt/Total Capital (%)	71.5	71.4	72.3	73.0

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

Source: Company data, CCXAP research

Corporate Profile

Founded in 2003, YCAI, previously known as Yancheng City Urban Assets Operation Co., Ltd., is wholly owned by the Yancheng Municipal Government and directly supervised by the Yancheng State-owned Assets Supervision and Administration Commission ("Yancheng SASAC"). It is one of the key local state-owned enterprises in Yancheng City, specializing in infrastructure construction as well as state-owned asset operation and management. YCAI has undertaken major infrastructure construction and land development projects in Yancheng City. It also diversifies into utilities including water supply and sewage treatment, and commercial activities such as property development, property leasing and security services.

Exhibit 1. Revenue structure in 2025**Exhibit 2. Gross profit structure in 2025**

Source: Company information, 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 growing economic and fiscal strengths as well as sustainable industrial development.

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, chemicals, and textiles. Jiangsu Province is the second largest province in China by gross regional product ("GRP"), after Guangdong Province. In 2025, its total GRP amounted to RMB14.2 trillion, a year-over-year ("YoY") increase of 5.3%. The GRP per capita for the same period was RMB166,961.7, ranking top among all provinces in China. In the first quarter of 2026, Jiangsu Province's GRP stood at RMB3,448.3 billion, representing a YoY increase of 5.4%.

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 2025, Yancheng City achieved a GRP of RMB804.5 billion with a 5.4% YoY growth rate, ranking 8th among 13 municipals in Jiangsu Province. In the first quarter of 2026, Yancheng City's GRP was RMB201.8 billion, a YoY increase of 5.5%. The general budgetary revenue increased annually on the back of steady economic growth and optimized upgrading of the industrial structure. In 2025, the general budgetary revenue rose to RMB51.6 billion from RMB49.6 billion in 2024, with tax revenue increased slightly to RMB34.7 billion from RMB33.5 billion. The three-year average fiscal stability (tax revenue/general budget revenue) remained relatively stable at 68.5%. However, the fiscal sufficiency of Yancheng Municipal Government is moderate, as reflected by its 3-year average fiscal balance ratio (general budgetary revenue/general budgetary expenditure) of 43.3% for the period 2023 to 2025. As of the end of 2025, the local government's outstanding debt increased to RMB209.2 billion, accounting for around 26.0% of its GRP.

Exhibit 3. Key economic and fiscal indicators of Yancheng City

	2023FY	2024FY	2025FY
GRP (RMB billion)	740.4	777.9	804.5
GRP Growth (%)	5.9	5.5	5.4
General Budgetary Revenue (RMB billion)	48.3	49.6	51.6

General Budgetary Expenditure (RMB billion)	122.8	113.7	109.9
Local Government Debt (RMB billion)	165.5	196.2	209.2

Source: Statistics Bureau of Yancheng City, CCXAP research

Government's Willingness to Provide Support

The largest infrastructure construction and primary land consolidation company in Yancheng City

YCAI is the largest and most important entity that provides infrastructure construction and land consolidation in the main district of Yancheng City, and plays a vital and irreplaceable role in the city. YCAI is primarily responsible for infrastructure projects, such as roads, bridges, and sewage pipelines, as well as land consolidation and shantytown renovation in Yancheng City. YCAI is also engaged in the construction of affordable housing, which is sold to target households at a designated price decided by the government. Over the past three years, YCAI has completed key infrastructure construction projects with a total investment of RMB5.0 billion, key land consolidation with a total investment of RMB18.6 billion, and completed 5 affordable housing projects with a total investment of RMB5.6 billion. These projects are economically and socially important to the development of the city. As of 31 December 2025, the Company had 5 key infrastructure construction projects under construction, such as industrial parks, settlement housing regeneration and water supply pipeline projects, with an outstanding investment amount of RMB3.0 billion. The Company also had 10 key land consolidation projects under construction with a total planned investment of RMB14.2 billion and a total uninvested amount of RMB2.8 billion. The sufficient project reserves indicate strong sustainability of the Company's public-policy businesses but may exert certain capital expenditure pressure. With ongoing investment in policy and commercial activities, YCAI's total assets increased to RMB155.0 billion as of 31 March 2026, remaining as the largest LIIFC in Yancheng City.

YCAI's infrastructure construction business is mainly operated under an entrusted construction model. The Company is responsible for the financing and investment of these entrusted construction projects, and the Company recognizes a markup on total cost as revenue after examinations of projects by the government. For the land consolidation business, the Company operates under the framework agreement signed with the Yancheng Land Reserve Center, and books 110% of total investment cost as revenue according to the realized investment each year. For the affordable housing business, the Company raises funds for developing the project and sells it to relocated households after completion of construction. Such businesses are stable as the Company's positioning and business model have not changed in recent years while the scale of public projects may reduce with moderating local infrastructure construction demand. The Company is also engaged in infrastructure construction including schools, hospitals and public facilities in the form of construction management which means the Company does not need to advance funds and receives construction management fees as income when the project is completed. Currently, the income from construction management fees is small.

Important role in public services of Yancheng City

YCAI is engaged in utility services including water supply and sewage treatment in Yancheng City with strong franchise advantages. Its business scope covers most of the areas in Yancheng City. With semi-public attribution, these businesses generate recurring income for the Company and better livelihood and residential environment.

YCAI is the sole water supplier in the central region of Yancheng City, except Dafeng District, and some towns and villages. The capacity of the water supply and the number of households covered increased year by year. As of 31 December 2025, it had around 6,232 km of water supply pipelines, with a designed daily water supply

capacity of 900 thousand tons and serving around 659.0 thousand households. During the past two years, the income from water supply was around RMB284.8 million on average. Furthermore, the Company is responsible for installing and maintaining water pipelines in its water supply area to ensure the safe use of residential water with strong regional advantages. The Company's water supply business has generated relatively stable gross profits over the past three years, reaching RMB107.6 million in 2025.

In 2020, YCAI was delegated by the government to integrate sewage treatment resources and take responsibility for the construction, operation and maintenance of sewage treatment facilities all over Yancheng City. The Company's sewage treatment business has covered most of the areas of Yancheng City. It has integrated a total of 86 sewage treatment plants with a designed daily sewage treatment capacity of 764.4 thousand tons. The Company mainly treats domestic sewage and some industrial wastewater. In 2025, the revenue from sewage treatment decreased slightly to RMB259.6 million from RMB324.0 million in 2024, with a concurrent fluctuation in profitability. The decline in revenue was primarily due to the transfer of operating rights for some county-level sewage treatment plants to the local government.

Medium risk exposure to commercial activities

YCAI has moderate exposure to commercial activities in terms of scale. These activities mainly include property development, security services, property leasing and some construction projects under the self-operation model in Yancheng City. The commercial activities generally undertake higher business risks than infrastructure construction and public services businesses. Direct government support flow is less likely for YCAI's commercial activities. The increasing participation in self-operation projects will enlarge the capital needs for YCAI. We consider that the risks of YCAI's commercial activities remain controllable as we expect such scale will remain at a medium level relative to its public activities.

The Company has also invested in some construction projects under the self-operation model such as power stations, parking lots and sludge treatment facilities. Investment returns for these projects are mainly through leasing and self-operation. The Company kept investing in 3 self-operated projects with a total investment of RMB2.7 billion and an outstanding investment of approximately RMB2.2 billion as of end-2025. However, these projects have long payback periods and high uncertainty in returns compared with the infrastructure construction business.

Benefiting from linked development between land primary and secondary development, YCAI had a good operating track record in property development of commercial housing projects in the past. However, the Company's investment progress in commercial housing projects has slowed down in recent years. As the sales of completed projects come to completion, the income from commercial housing projects has seen a continuous decline for the past 24 months, which was RMB100.2 million in 2025. As of 31 December 2025, the Company did not have planned new commercial housing projects and had only one developing project, Liuyuan, with a total investment of RMB3.8 billion and the uninvested amount of RMB1.4 billion. The Company will still face uncertainty in the sales of Liuyuan during the downturn of the property market in China.

Solid track record of receiving government support

YCAI has received ongoing support from the Yancheng Municipal Government, including capital injections, asset transfers, and financial subsidies. Following several government capital injections, as of 31 March 2026, the Company's paid-in capital had increased to RMB5.0 billion. In 2024, the Yancheng Municipal Government injected several real estates, which worthy RMB275.5 million to the Company, enhancing its capital strength. Furthermore, the Company benefits from consistent financial support from the local government, encompassing

operating subsidies and repayments for contracted projects. In 2025, the Company received RMB20.5 million in operating subsidies, demonstrating ongoing support during the year. As of 31 December 2025, the Company had received RMB20.0 billion in repayments for completed infrastructure construction and land consolidation projects.

In addition, YCAI could benefit from Yancheng's standby cash reserves, which is a preemptive fund of RMB5.0 billion launched by the government for local state-owned enterprises. The fund would provide the Company with an additional liquidity buffer when necessary. Overall, we expect YCAI to continue to play an important role in the development of Yancheng City. Given its key position in infrastructure investment and participation in public services, we believe that the local government will continue to support the Company in the foreseeable future.

Slowing debt growth, yet leverage remains high

YCAI's debt growth has shown a slowing trend in recent years, mainly due to a continuous contraction in investments in commercial activities, with current investments primarily focused on public-policy activities. In 2024 and 2025, the average growth rate of the Company's total debt was 3.9%, a significant decrease from the average growth rate of 22.5% in 2022 and 2023, reflecting ongoing improvements in the Company's debt management. However, YCAI's debt leverage has still remained at a high level. As of 31 March 2026, its total capitalization ratio, as measured by total debt (including perpetual debt) to total capital, was around 73.0%. At the same time, the Company's short-term debt amounted to RMB35.5 billion, accounting for 33.8% of the total debt, and the cash to short-term debt ratio remained at a weak level of around 0.1x. The funding support and projects repayments from the local government, as well as the Company's effort to reduce financing costs under a low-interest rate environment alleviated its pressure caused by its high debt leverage to some extent. Nevertheless, we expect the Company's debt leverage will remain at a high level in the next 12 to 18 months.

Weak balance sheet liquidity moderated by good access to different financing channels

YCAI's asset liquidity remains relatively weak. As of 31 March 2026, the Company's total assets mainly consisted of inventories, other receivables, and receivables, accounting for 69.8% of the total assets. The Company's inventories mainly include costs of land consolidation and infrastructure constructions and receivables are mainly owed by the government units and local state-owned enterprises, which are considered low liquidity and formed a drain on the Company's fund. On top of that, as of end-2025, the Company pledged a number of assets for loans, including cash, inventories, and investment properties, with a total restricted amount of RMB27.8 billion, accounting for 18.4% of total assets.

YCAI's refinancing pressure could be partly mitigated by its strong financing ability from banks and debt capital market. The Company maintains good relationships with various large domestic banks such as China Development Bank, China CITIC Bank Corporation Limited and Bank of Jiangsu Co., Ltd. As of 31 December 2025, it obtained total bank credit facilities of RMB90.6 billion with an available portion of RMB47.1 billion. The Company also maintains a track record of accessing the debt capital markets through various instruments, including PPNs, MTNs, asset-backed securities, and corporate bonds. For instance, from 2025 to 2026Q1, the Company had issued 15 tranches of onshore bonds raising RMB12.3 billion with coupon rates ranging from 2.12% to 2.69%. In addition, the Company had moderate exposure to non-standard financing around 30% of total debt, consisting mainly of financial leasing and trust loans. Overall, we expect the Company's refinancing risk to be relatively manageable over the next 12-18 months.

Large exposure to external guarantees while mainly provided to other local SOEs

YCAI has provided large numbers of external guarantees of RMB14.7 billion as of 31 December 2025, accounting for 38.3% of the Company's adjusted net assets (excluding perpetual debt and other items treated as debt in minority interests). Large exposure to guarantees will increase YCAI's contingent liability risk. In addition, the Company's contingent liabilities are subject to regional risks due to the mutual guarantee situation. In case a credit event occurs, the Company may face certain contingent liability risks, which could negatively impact its credit quality. Nevertheless, we believe that the credit risk of these guarantees is manageable, as all of them are provided to local state-owned enterprises and are under the supervision of the Yancheng Municipal Government.

ESG Considerations

YCAI bears environmental risks because it undertakes infrastructure construction and property development projects in Yancheng City. Such risks could be moderated by conducting environmental studies and detailed planning before the commencement of projects and close supervision during the construction.

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

YCAI'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.

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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