

CCXAP affirms Yancheng City Assets Investment Group Co., Ltd's long-term credit rating at BBB_g, with stable outlook

Hong Kong, 17 November 2021 -- China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed the long-term credit rating of Yancheng City Assets Investment Group Co., Ltd. ("YCAI" or the "Company") at BBB_g, with stable outlook.

Corporate Profile

Founded in 2003, YCAI (previously known as Yancheng City Urban Assets Operation Co., Ltd.) is one of the key local state-owned enterprises in Yancheng City, specializing in infrastructure investment and financing as well as asset operation and management. Its businesses cover many areas, including infrastructure construction, primary land consolidation, property development, hotel operation and security services. As of 30 June 2021, YCAI had registered capital of RMB5 billion, and is wholly owned and directly supervised by the Yancheng Municipal Government. The Company had 54 holding subsidiaries.

Rating Rationale

The BBB_g long-term credit rating of YCAI is underpinned by the Company's (1) strong position in the development of Yancheng City, particularly in infrastructure construction and primary land consolidation; (2) growing importance in public services; and (3) diversified business profile.

However, the rating is constrained by the Company's (1) large construction pipelines that exert capital expenditure pressure; (2) long cash collection period with weak asset liquidity; and (3) high debt leverage.

We believe YCAI has a high likelihood of receiving strong support from Yancheng Municipal Government in times of need. Our expectation is based on the Company's (1) strong strategic position; (2) close relationship with the local government; and (3) good track record of receiving support.

Rating Outlook

The stable outlook on YCAI's rating reflects our expectation that Company will maintain its strategic importance in the development of Yancheng City and will continue to receive strong government support over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if (1) YCAI 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

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

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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.

Vincent Tong

Senior Analyst

vincent_tong@ccxap.com

Elle Hu

Director of Credit Ratings

elle_hu@ccxap.com

Tel: +852-2860 7111



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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

Email: info@ccxap.com

Tel: +852-2860 7111

Fax: +852-2868 0656