
CCXAP assigns BBB_g to Yancheng Oriental Investment & Development Group Co., Ltd.'s proposed USD bonds

Hong Kong, 23 September 2022 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a senior unsecured debt rating of BBB_g to the proposed USD bonds to be issued by Oriental Capital Company Limited, an indirect wholly-owned subsidiary of Yancheng Oriental Investment & Development Group Co., Ltd. (“YOID” or the “Company”) (BBB_g/stable), and unconditionally and irrevocably guaranteed by YOID.

The bonds will constitute direct, unsubordinated, unconditional and unsecured obligations of YOID, which will at all times rank pari passu with all other present and future unsecured and unsubordinated obligations of YOID. The Company intends to use the net proceeds for refinancing of existing offshore indebtedness.

Corporate Profile

Established in 2003, YOID is one of the major local infrastructure investment and financing companies for the Yancheng Municipal Government. It is directly and wholly owned by the Yancheng Municipal Government. YOID is mainly conducted in infrastructure construction, sales and construction of resettlement houses, leasing and property management in the Yancheng Economic and Technological Development Zone (“ETDZ”). The Company is also engaged in equity investment, trading, and financial services businesses such as finance leasing and guarantee loans.

Rating Rationale

The senior unsecured debt rating of the bonds is equal to YOID’s long-term credit rating. We believe that the government support will flow through YOID given its important position in the regional infrastructure construction of Yancheng City, particularly in the ETDZ, thereby mitigating any differences in an expected loss that could result from structural subordination.

The BBB_g long-term credit rating of YOID reflects Yancheng Municipal Government’s very strong capacity to provide support and high willingness to provide support based on our assessment of the Company’s characteristics.

The high willingness of support is underpinned by the Company’s (1) 100% ownership of the Yancheng Municipal Government; (2) strategic role in Yancheng City, particularly in the ETDZ; (3) solid track record of receiving ongoing government payments. However, it is constrained by the Company’s (1) moderating public project reserves; (2) increasing exposure to commercial activities; and (3) high contingent liability risk associated with its large external guarantee.

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 Yancheng City.

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 increase in government payments.

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 decrease in its strategic significance.

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

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