

CCXAP affirms Yancheng High-tech Zone Investment Group Co., Ltd.'s long-term credit rating at BBB_g+, with stable outlook.

Hong Kong, 10 June 2025 – 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. (“YHZI” or the “Company”) at BBB_g+, with stable outlook.

The BBB_g+ long-term credit rating of YHZI reflects (1) Yancheng Municipal Government's very strong capacity to provide support; and (2) the local government's high willingness to support based on our assessment of the Company's characteristics. Our assessment of Yancheng Municipal Government's capacity to support reflects Yancheng City's ongoing economic and fiscal growth, with good industrial development. Yancheng High-tech Industrial Development Zone (“Yancheng HIDZ”) is a national-level high-tech industrial development zone in Yancheng City that mainly develops intelligent information technology, high-end equipment and new energy industries.

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 the public activities of Yancheng City, particularly in the Yancheng HIDZ; and (3) good track record of receiving government support. However, the rating is constrained by the Company's (1) high exposure to debt-driven commercial activities; (2) high debt leverage and weak asset liquidity; and (3) large exposure to external guarantees.

Corporate Profile

Established in 2009, YHZI is one of the major local infrastructure investment and financing companies (“LIIFCs”) for the Yancheng Municipal Government. The Company is mainly responsible for regional infrastructure construction and primary land development in Yancheng HIDZ. YHZI also engages in commercial activities including property leasing and management businesses and financial investment, in order to assist local industrial development. In April 2024, the Company's equity was transferred from Yancheng Municipal Government to Yancheng High-tech Industry Holding Group Co., Ltd. (“YHIH”), which is wholly-owned by Yancheng Municipal Government. Despite the change in shareholding structure, Yancheng Municipal Government remained the ultimate controller of the Company.

Rating Rationale

Credit Strengths

Dominant business position in the Yancheng HIDZ. YHZI is one of the large LIIFCs by total assets in Yancheng City and Yancheng HIDZ. It has a dominant business position as it is entrusted by the government to develop the Yancheng HIDZ. The Company has undertaken the majority of local infrastructure construction and primary land development projects within the Yancheng HIDZ. Directed by the local government, YHZI has also participated in policy-driven commercial activities such as local property leasing, equity investments, financial services and new energy, targeting to attract foreign and domestic investments.

Significant role in local public activities. YHZI's primary public activities include local infrastructure construction and primary land development projects. These projects are essential to the economic and social development of the Yancheng HIDZ and benefit local employment. In addition, the sufficient project reserves indicate strong sustainability of the Company's public-policy businesses.

Good track record of receiving government support. YHZI has a good track record of receiving government support in various forms such as capital injection, operating subsidies, and government payment for construction projects. Given YHZI's important position and contribution to regional economic development, we believe that the Company will receive strong government support in times of need.

Credit Challenges

High exposure to commercial activities. In addition to its core business in infrastructure construction and primary land development, YHZI diversified into other commercial activities such as property leasing and management, trading as well as fund investment. Some commercial activities are subject to market conditions and counterparty risks.

High debt leverage and moderate asset liquidity. YHZI shows a rising debt burden owing to its expansion in the construction of public-policy projects and property leasing projects over the past few years. The total capitalization ratio, as measured by total debt to total capital, remained at a high level of 66.6% as of 31 March 2025. Besides, YHZI's asset liquidity is weak, which may undermine the Company's financing flexibility.

Large exposure to external guarantees. The Company's credit profile is undermined by a large number of external guarantees. As of 31 March 2025, the total amount of external guarantees (including the exposure from its guarantee business) was RMB22.0 billion. The related contingent risk exposure is still a key credit concern to YHZI's credit profile. The majority of external guarantees from the guarantee business were provided to private-owned enterprises within the Yancheng HIDZ, which accounted for 3.8% of its total amount of external guarantees.

Rating Outlook

The stable outlook on YHZI'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 HIDZ.

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 or lower risk exposure to commercial activities.

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 weakened debt management or a material reduction in government support.

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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