

Credit Opinion

20 June 2025

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

Analyst Contacts

Amy Chen +852-2860 7127

Credit Analyst

amy_chen@ccxap.com

Eddie Li +852-2860 7130

Credit Analyst

eddie_li@ccxap.com

Elle Hu +852-2860 7120

Executive Director of Credit Ratings

elle_hu@ccxap.com

**The first name above is the lead analyst for this rating and the last name above is the person primarily responsible for approving this rating.*

Client Services

Hong Kong +852-2860 7111

Yancheng City Assets Investment Group Company Limited

Surveillance credit rating report

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

Summary

The A_g- long-term credit rating of Yancheng City Assets Investment Group Company Limited (“YCAI” or the “Company”) 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 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) high debt leverage with large investment needs; 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 LIIFC in Yancheng City, providing essential public services as well as engaging in infrastructure construction and land consolidation
- Medium risk exposure to commercial activities
- Good track record of receiving government support
- Good access to different financing channels
- High debt leverage with large investment needs
- 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, material decrease in external guarantees or improved debt management.

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

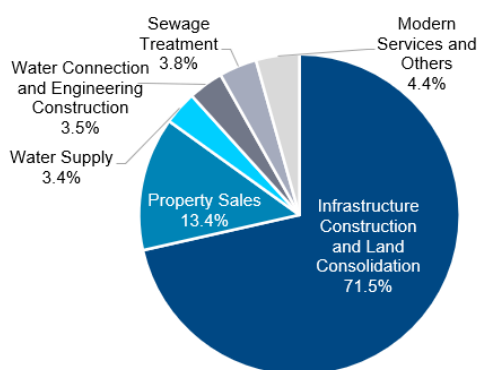
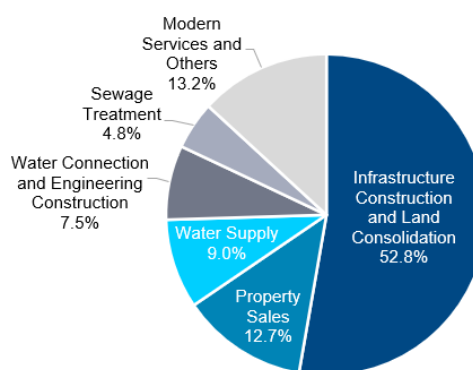
	2022FY	2023FY	2024FY	2025Q1
Total Assets (RMB billion)	119.1	138.1	146.8	148.4
Total Equity (RMB billion)	38.0	43.0	46.4	46.0
Total Revenue (RMB billion)	6.6	7.3	8.5	2.3
Total Debt/Total Capital (%)	68.7	71.5	71.4	71.8

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 2024**Exhibit 2. Gross profit structure in 2024**

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, 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 2024, the local government's outstanding debt increased to RMB196.2 billion, accounting for around 25.2% of GRP.

Exhibit 3. 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

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 RMB4.4 billion, key land consolidation with a total investment of RMB13.1 billion, and completed 5 affordable housing projects with a total investment of RMB5.3 billion. These projects are economically and socially important to the development of the city. With ongoing investment in policy and commercial activities, YCAI's total assets increased to RMB148.4 billion as of 31 March 2025, ranking as the largest LIIFC in Yancheng City.

YCAI's infrastructure 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 fee income when the project is completed. Currently, the income from construction management fees is still 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 2024, it had around 6,128 km of water supply pipelines, with a designed daily water supply capacity of 900 thousand tons and serving around 639.9 thousand households. During the past two years, the income from water supply was around RMB900 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 RMB94.6 million in 2024.

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 2024, the

revenue from sewage treatment increased to RMB324.0 million, with a concurrent improvement in profitability.

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 scenic spots, parking lots and commercial buildings. Investment returns for these projects are mainly through leases and sales. The Company kept investing in projects under construction in 2024 and the outstanding investment was around RMB3.8 billion as of 31 March 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 a close, the income from commercial housing projects has seen a continuous decline for the past 24 months, which was RMB109.8 million in 2024. As of 31 December 2024, 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 RMB1.5 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 2025, 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 2024, the Company received RMB40.5 million in operating subsidies and RMB10.6 billion in project repayments, demonstrating ongoing support during the year. The Company is expected to receive ongoing government payments from the infrastructure construction and land consolidation business.

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.

High debt leverage with large investment needs

YCAI's current projects under construction include infrastructure construction projects, self-operated projects, land consolidation projects and property development. These projects ensure the sustainability of the Company's business, but the investment cycle is long for commercial activities and the cash collection lags for infrastructure construction and land consolidation businesses behind.

Considering the outstanding investment of approximately RMB4.7 billion in its key pipeline projects, and the long payback period from the government, the Company will still rely on external financing to fund the funding gap. Overall, we expect that the Company will face high capital expenditure pressure over the next 12 to 18 months, given the mismatch between cash collection and investment, and the financing gap will be made up mainly of bank loans and bond issuances.

Exhibit 4. Projects under construction as of 31 December 2024

Project type	No. of projects	Budgeted	Invested	Outstanding
		amount (RMB billion)	amount (RMB billion)	amount (RMB billion)
<i>Project Under Construction</i>				
Infrastructure Construction	6	11.7	9.9	1.8
Land Consolidation	9	10.5	9.2	1.3
Affordable Housing	1	0.2	0.1	0.1
Property Development	1	3.8	2.3	1.5
Total	17	26.2	21.5	4.7

Source: Company information, CCXAP Research

YCAI relies on external financing to raise funds for business development and project construction, which could increase its debt burden and undermine its credit profile. In recent years, YCAI's debt leverage, measured by the total capitalization ratio, has remained very high. From 31 March 2024 to 31 March 2025, the Company's total debt (including perpetual debt) increased to RMB97.7 billion from RMB94.9 billion; and its total capitalization ratio remained at around 71.8% due to the asset injection of the local government. The capital injection from the local government and the Company's effort to reduce financing costs under a downward interest rate environment eased its pressure on high debt leverage to some extent. We expect the Company's debt leverage will remain at a high level, considering its large construction pipelines in the next 12 to 18 months.

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

YCAI's standalone liquidity position weakened as its cash reserves were insufficient to fulfill its short-term debt obligations. As of 31 March 2025, its short-term debt amounted to RMB37.7 billion, accounting for 38.5% of the total debt, and the cash to short-term debt ratio remained at a weak level of around 0.1x. We expect that the Company will need additional funding from external sources to repay its debt and invest in new projects.

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 2024, it obtained total bank credit facilities of RMB87.2 billion with an available portion of RMB35.6 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, in 2024, it issued multiple tranches of MTNs, with coupon rates exhibiting a notable decline compared to those issued in 2023. 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 RMB14.5 billion as of 31 December 2024, accounting for 38.2% 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. Among them, there were around RMB253.0 million of external guarantees provided to its associates in property development projects. The Company provides guarantees to them according to its shareholding of the associates. Nevertheless, we believe that the credit risk of these guarantees is manageable, as most of them are provided to local state-owned enterprises.

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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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