

Yancheng Oriental Investment & Development Group Co., Ltd.

Lianhe Ratings Global Limited (“Lianhe Global”) has assigned ‘A’ global scale Long-term Issuer Credit Rating with Stable Outlook to Yancheng Oriental Investment & Development Group Co., Ltd. (“Yancheng Oriental” or “the company”)

Summary

The Issuer Credit Rating reflects a high possibility that the Yancheng Municipal People’s Government (“Yancheng government”) would provide very strong support to Yancheng Oriental if needed. This mainly considers the Yancheng government’s direct full ownership of Yancheng Oriental, Yancheng Oriental’s strategic position as a major local investment and development company (“LIDC”) responsible for infrastructure construction, state-owned asset operation and investment in Yancheng, especially in Yancheng Economic and Technological Development Zone (“YETDZ”). In addition, the linkage between the Yancheng government and Yancheng Oriental is strong, including management supervision, strategic alignment and ongoing operational and financial support. Moreover, the Yancheng government may face significant negative impact on its reputation and financing activities if Yancheng Oriental encounters any operational or financial difficulties.

Yancheng is a prefecture-level city of Jiangsu Province. In 2024, Yancheng’s GDP grew by 5.5% to RMB777.9 billion and its budgetary revenue reached RMB49.6 billion. The YETDZ was first established in 1992, and it was approved by the State Council as one of the national economic and technological development zones in 2010.

The Stable Outlook reflects our expectation that Yancheng Oriental’s strategic importance would remain intact while the Yancheng government will continue to ensure Yancheng Oriental’s stable operation.

Rating Rationale

Government’s Ownership and Supervision: The Yancheng government is the sole shareholder of Yancheng Oriental by holding 100% stake directly, and is the actual controller of the company. The Yancheng government has the final decision-making authority and strong supervision over Yancheng Oriental, including the appointment of senior management and decisions on its major investment and financing plan. In addition, the Yancheng government has an assessment mechanism over the company and regularly appoints auditors to review the company’s operating performance and financial position.

Strategic Importance and Strategic Alignment: As an important LIDC in Yancheng, Yancheng Oriental plays a major role in promoting urban and industrial development in YETDZ. Yancheng Oriental undertakes infrastructure construction, resettlement housing development, property leasing and management, trading business, etc. in YETDZ. Therefore, the company plays an important role in promoting the economic and social development in YETDZ. Yancheng Oriental’s business operation and strategic planning have been aligned with the Yancheng government’s economic and social development plans.

Ongoing Government Support: Yancheng Oriental continues to receive ongoing support from the Yancheng government, which includes operational subsidies and capital/asset

Summary

Issuer Rating	A
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	7 August 2025

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Applicable Criteria

China Local Investment and Development Companies Criteria (31 July 2025)

injections. Yancheng Oriental received operational support of RMB580 million between 2022 and 2024. Given Yancheng Oriental's strategic importance in Yancheng, we believe that the support from the Yancheng government remains intact.

Yancheng Oriental's Financial and Liquidity Position: Yancheng Oriental's total assets increased steadily to RMB95.6 billion at end-March 2025 from RMB67.2 billion at end-2022, as the company actively participated in the urban and industrial development in YETDZ. On the other hand, its total debts also increased to RMB54.8 billion at end-March 2025 from RMB39.6 billion at end-2022. The company's financial leverage, as measured by the debt to capitalization ratio, ranged between 60-65% during the same period.

Yancheng Oriental's short-term debt servicing pressure was moderate. At end-March 2025, the company had an unrestricted cash balance of RMB4.4 billion and unused credit facilities of RMB28.8 billion, compared with its debt due within one year of RMB19.9 billion. Also, the company has access to multiple financing channels, including bank loans, onshore and offshore bond issuances and other non-traditional financing tools, to support its debt repayments and business operations.

Rating Sensitivities

We would consider downgrading Yancheng Oriental's rating if (1) there is a perceived weakening in support from the Yancheng government, particularly due to its reduced strategic importance with diminished government functions, or (2) there is a significant reduction of the Yancheng government's ownership of Yancheng Oriental, or (3) there is a downgrade in our internal credit assessment of the Yancheng government.

We would consider upgrading Yancheng Oriental's rating if there is an upgrade in our internal credit assessment on the Yancheng government.

Operating Environment

Economic Condition of Yancheng

Yancheng is a prefecture-level city of Jiangsu Province. Located in the northeast of Jiangsu Province and east of the Yellow Sea, Yancheng has a land area of 16,931 square kilometers, making it the largest prefectural city in Jiangsu Province. Yancheng administers 3 districts, 5 counties and 1 county-level city. In addition, Yancheng also administers two economic and technological development zones, namely the YETDZ and Yannan High-tech Industrial Development Zone.

Yancheng's economy maintained a steady growth in the past few years and its GDP reached RMB777.9 billion in 2024, represent a year-on-year growth of 5.5%. Yancheng's economic growth is mainly driven by secondary and tertiary industries, which accounted for 38.7% and 50.4% of GDP in 2024, respectively. Automobile, machinery, textile and chemical are the four traditional pillar industries in Yancheng.

Established in 1992 and approved by the State Council as a national development zone, the YETDZ is located in the southeast of Yancheng and occupies a total land area of 200 square kilometers. Pillared on the automobile and auto-parts industry and focusing on other modern industries such as new energy autos and auto-parts, software and service outsourcing, photovoltaic and LED (Light-emitting diode), the development zone has four major industrial parks, which are Sino-Korea Industrial Park, New-Energy Automobiles and Auto Parts

Industrial Park, Yancheng Comprehensive Bonded Zone and Yancheng Optoelectronic Industrial Park.

Yancheng's Economic Condition			
(RMB billion)	2022	2023	2024
GDP	708.0	740.4	777.9
-Primary industry (%)	11.2	11.1	10.9
-Secondary industry (%)	41.4	40.3	38.7
-Tertiary industry (%)	47.4	48.6	50.4
GDP growth rate (%)	4.6	5.9	5.5
Fixed asset investment growth rate (%)	9.4	9.2	5.0
Population (million)	6.7	6.7	6.7
<i>Source: Financial Bureau of Yancheng, statistical bureau of Yancheng and Lianhe Global's calculations</i>			

Fiscal Condition of Yancheng

Yancheng government's fiscal revenue is mainly derived from budgetary revenue and government fund income. The budgetary revenue of the Yancheng government increased to RMB49.6 billion in 2024 from RMB48.3 billion in 2023, with the contribution of tax revenue lowered to 67.6% from 70.7%. The fiscal self-sufficiency rate of the Yancheng government remained weak, though its budget deficit decreased from 154.4% in 2023 to 130.0% in 2024. As a major source of revenue, the government fund income of the Yancheng government reached RMB73.1 billion in 2024.

The outstanding debt of the Yancheng government kept growing in past few years. At end-2024, the Yancheng government's outstanding debt expanded to RMB201.3 billion from RMB165.5 billion at end-2023, mainly due to the issuance of special purpose debts to support local public projects. Its government debt ratio, as measured by the total government debt to aggregate revenue ratio, surged to 121.7% at end-2024 from 92.8% at end-2023.

Yancheng's Fiscal Condition			
(RMB billion)	2022	2023	2024
Budgetary revenue	45.3	48.3	49.6
Budgetary revenue growth rate (%)	0.5	6.5	2.8
Tax revenue	29.7	34.1	33.5
Tax revenue (% of budgetary revenue)	65.6	70.7	67.6
Government fund income	74.3	81.0	73.1
Transfer payment	42.0	46.0	39.8
Aggregate revenue	163.4	178.4	165.4
Budgetary expenditure	109.4	122.8	114.1
Budget balance ¹ (%)	-141.3	-154.4	-130.0
¹ Budget balance = (1-budgetary expenditure / budgetary revenue) * 100%			
<i>Source: Financial Bureau of Yancheng, statistical bureau of Yancheng and Lianhe Global's calculations</i>			

Company Profile

Ownership Structure

Yancheng Oriental was established in August 2003 under approval from the Yancheng government with an initial capital of RMB150 million, funded by the Yancheng Economic and Technological Development Zone Management Committee ("YETDZ MC"). After an array of capital injections, Yancheng Oriental's registered capital increased to RMB9.5 billion in August 2019, with its sole shareholder changed into Yancheng government. At end-March

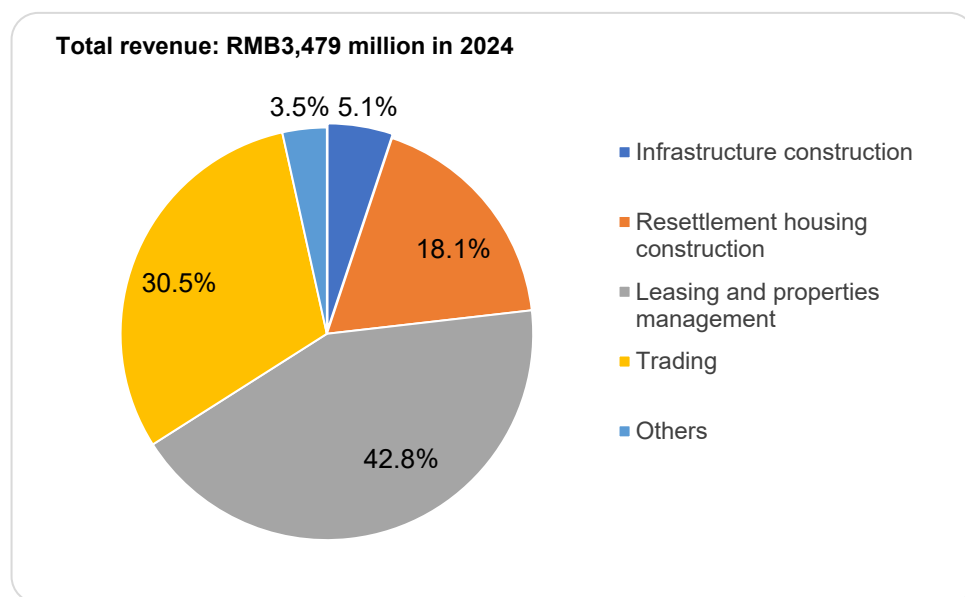
2025, Yancheng Oriental's registered capital and paid-in capital were both RMB9.5 billion, and the company is wholly owned and ultimately controlled by the Yancheng government.

Revenue Breakdown

Yancheng Oriental is mainly responsible for infrastructure construction, state-owned asset operation and investment in Yancheng, especially in the YETDZ. Yancheng Oriental undertakes infrastructure construction, resettlement housing development, property leasing and management, trading business, etc. in YETDZ. Yancheng Oriental recorded a total revenue of RMB2.5 billion, 2.9 billion 3.5 billion and 0.7 billion in 2022, 2023, 2024 and the first three months of 2025, respectively. Its gross margin was high in the past few years, and reached at 36.9% in the first three months of 2025.

The company's infrastructure construction business is mainly conducted in agent-construction mode. The infrastructure projects that Yancheng Oriental currently undertakes include road, park and flood control projects. The company's resettlement housing development business is carried out under the planning of the YETDZ MC. The company also involves in property leasing and management business, given its strategic role in the development and operation of industrial parks in the YETDZ.

Yancheng Oriental also diversifies its revenue sources by involving in trading, sewage treatment, hotel operation, financial leasing, etc.



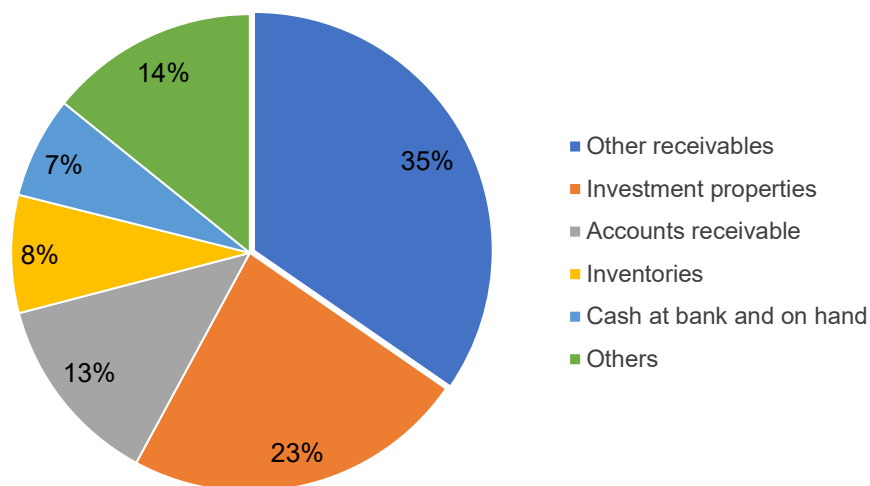
Source: The company's financial reports and Lianhe Global's calculations

Assets Breakdown

Yancheng Oriental's asset liquidity was weak. At end-March 2025, the company's asset was mainly consisted of receivables (including account receivables and other receivables), which accounted of 47.7% of its total assets. These receivables were mainly due from Finance Bureau of YETDZ and local SOEs, with a high concentration rate and long payment periods. These project-related assets face extended monetization timeframes due to protracted development cycles and cash collection periods.

In addition, investment properties accounted for 23.3% of its total assets at end-March 2025. These assets may also take a long time to monetize.

Total assets: RMB95.6 billion at end-March 2025



Source: The company's financial reports and Lianhe Global's calculations

Key Financial Data

(RMB million)	2022	2023	2024	2025.3
Total Assets	67,166	78,743	92,336	95,630
Equity	24,685	25,362	34,941	34,681
Debt	39,574	47,858	51,435	54,758
Debt / (Debt + Equity) (%)	61.6	65.4	59.5	61.2
Unrestricted cash/ST Debts (x)	0.1	0.1	0.1	0.2
Debt/EBITDA (x)	27.2	30.9	34.7	-
Revenue	2,540	2,898	3,479	685
Operation Profit	1,072	1,008	982	244
Gross Margin (%)	31.5	42.8	44.9	36.9
Cash from sales or services/ Revenue (%)	105.2	89.0	72.6	49.4

Source: The company and Lianhe Global's calculations

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