

CCXAP assigns first time long-term credit rating of BBB_g- to Taixing Jinjiang Investment Co., Ltd., with stable outlook.

Hong Kong, 14 March 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first time long-term credit rating of BBB_g- to Taixing Jinjiang Investment Co., Ltd. (“TXJI” or the “Company”), with stable outlook.

The BBB_g- long-term credit rating of TXJI reflects Taixing City Government’s strong capacity to provide support and high willingness to provide support, based on our assessment of the Company’s characteristics. Our assessment of Taixing City Government’s capacity to provide support reflects Taixing City’s relatively good comprehensive strength, with fast economic growth and good fiscal stability.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) important role in the development of Taixing City, especially in Jiangsu Taixing Economic and Technological Development Zone (“Taixing ETDZ”); (2) sufficient public-related project reserves; and (3) track record of receiving government support. However, the Company’s rating is constrained by its (1) moderate exposure to commercial business activities; (2) increasing debt burden and moderate asset liquidity; and (3) relatively high proportion of non-standard financing.

Corporate Profile

Established in 2017 with the approval of the People’s Government of Taixing City and funded by the Management Committee of Taixing ETDZ, TXJI is an important local infrastructure investment and financing company (“LIIFC”) in Taixing City. The Company is mainly responsible for the construction and operation of infrastructure projects in the southern area of Taixing ETDZ, and also undertakes engineering construction projects and merchandising business. As of 30 September 2022, Taixing Port Group Co., Ltd and Taixing Chengxing State-owned Assets Management Investment Co., Ltd. hold 85% and 15% shares of the Company, respectively. The Company was ultimately controlled by the State-owned Assets Supervision and Administration Commission of the People’s Government of Taixing City.

Rating Rationale

Credit Strengths

Important role in the development of Taixing ETDZ. Taixing ETDZ was established in 1991, and was approved as a provincial development zone in November 1992. There are two LIIFCs in the development of Taixing ETDZ. The Company focuses on the construction of infrastructure and science and innovation industrial parks in the southern area of Taixing ETDZ. Given the Company’s important role in local economic development, we expect TXJI is unlikely to be replaced in the foreseeable future.



Sufficient public-related project reserves. As of 30 September 2022, the Company had 4 key infrastructure construction projects under construction or planning, with an uninvested amount of around RMB2.9 billion. TXJI's infrastructure construction business is sustainable given its sufficient project reserves.

Track record of receiving government support. TXJI has a track record of receiving support from the local government in terms of asset injections and financial subsidies. From 2019 to 2022Q3, the local government totally injected assets of RMB7.1 billion into the Company. During the same period, TXJI received financial subsidies, which totally amounted to RMB250.8 million.

Credit Challenges

Medium exposure to commercial activities. TXJI also engages in commercial business activities, mainly including merchandising trading, financial investment business, as well as self-operated project construction. We estimate that TXJI had moderate commercial exposure, accounting for around 15% of its total assets.

Increasing debt burden and moderate asset liquidity. TXJI's total debt increased rapidly in the past three years. The Company's total debt increased from RMB444.5 million at end-2020 to RMB7.2 billion as of 30 September 2022, with a total capitalization ratio of 37.9%. TXJI's asset liquidity is moderate, and its assets mainly consist of inventories and accounts receivables.

Relatively high proportion of non-standard financing. TXJI's funding channels include offshore bonds and bank facilities. As of 30 September 2022, the Company's total credit facilities amounted to around RMB4.0 billion, of which the unutilized portion was around RMB1.5 billion. Furthermore, TXJI has a record of financing from offshore debt markets. In 2022, the Company has issued 2 offshore bonds, with a total outstanding amount of USD30 million and EUR30 million. However, since the Company has not been established for a long time, it is currently in the early stage of operation, the Company has high exposure to non-standard financing, accounting for over half of the total debt.

Rating Outlook

The stable outlook on TXJI's rating reflects our expectation that Taixing City Government's capacity to provide support will remain stable, and the Company will maintain its important position in public-related activities in Taixing City and Taixing ETDZ.

What could upgrade the rating?

The rating could be upgraded if (1) Taixing City Government's capacity to support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to support, such as a material reduction in exposure to commercial business activities or improved debt management.

What could downgrade the rating?

The rating could be downgraded if (1) Taixing City 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 a reduction in the importance of its policy role.

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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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.

Olivia Feng

Credit Analyst

+852-2860 7133

olivia_feng@ccxap.com

Elle Hu

Executive Director of Credit Ratings

+852-2860 7120

elle_hu@ccxap.com



Client Services: +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