

CCXAP assigns first time long-term credit rating of BBB_g to Tianchang City Investment Holding Group Co., Ltd., with stable outlook.

Hong Kong, 26 June 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first time long-term credit rating of BBB_g to Tianchang City Investment Holding Group Co., Ltd. (“TCCI” or the “Company”), with stable outlook.

The BBB_g long-term credit rating of TCCI reflects Tianchang City Government’s (1) strong capacity to provide support based on our assessment; and (2) extremely high willingness to provide support based on our assessment of the Company’s characteristics. Our assessment of Tianchang City Government’s capacity to provide support reflects Tianchang City’s relatively good comprehensive strength and ongoing economic growth. Its gross regional production (“GRP”) ranked first-tier among all counties/districts in Chuzhou City and Anhui Province.

The rating also reflects the local government’s willingness to support, which is based on the Company’s (1) the most important local infrastructure investment and financing company (“LIIFC”) with the largest asset scale in Tianchang City; and (2) good track record of receiving government support. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; and (2) increasing debt burden driven by large investments; and (3) medium contingent liabilities risk.

Corporate Profile

Established in 2021, TCCI is the most important and largest LIIFC by total assets in Tianchang City, consolidating the other 3 major LIIFCs in Tianchang City. TCCI was mainly responsible for the infrastructure construction in Tianchang City. The Company also engages in diversified commercial activities, including commodity sales, leasing, labor service as well as toll charges. As of 31 December 2022, the State-owned Assets Supervision and Administration Commission of Tianchang City Government (“Tianchang SASAC”) was the ultimate controller of the Company that directly held 75% of shares and indirectly held the remaining 25% shares through Tianchang Agricultural Development Co., Ltd.

Rating Rationale

Credit Strengths

The most important LIIFC with the largest asset scale in Tianchang City. As the most important LIIFC in Tianchang City, the Company undertakes different public activities such as infrastructure construction and engineering construction, which could promote the local economic development and improve the living quality of local people. TCCI carries out various infrastructure construction projects mainly through agent construction mode, which mainly include roads, cultural tourism projects and affordable housing, in urban areas and the Chuzhou High-tech Zone. Large reverses in hand will promise the sustainability of the infrastructure construction business.

Good track record of receiving government support. The Company and its subsidiaries have a good track record of receiving support from the Tianchang City Government, including the allocation of government special funds, equity transfers, operating subsidies, as well as capital injections. Considering the Company's status as the most important LIIFC of Tianchang City, we expect TCCI will continue receiving support from the local government.

Credit Challenges

Medium exposure to commercial activities. TCCI's major commercial activities include commodity sales, property leasing, labor services as well as road operations. Based on our assessment, TCCI's exposure to commercial activities is medium with assets accounting for less than 30% of total assets.

Increasing debt burden driven by large investments. The Company's total debt increased to RMB16.8 billion in 2022 from RMB9.9 billion in 2020 due to the continuous investment in construction projects. TCCI maintained a moderate total capitalization ratio over the past three years. As of 31 December 2022, TCCI's total capitalization ratio was 38.9%.

Medium contingent liabilities risk from external guarantees. As of 31 December 2022, the Company's external guarantees amounted to RMB4.3 billion, accounting for 16.2% of its net assets. The external guarantees were provided to the state-owned enterprises in Tianchang City. In case a credit event occurs, the Company may face certain contingent liability risks and cross-default risks.

Rating Outlook

The stable outlook on TCCI's rating reflects our expectation that Tianchang City Government's capacity to provide support will remain stable, and the Company will maintain its role as the most important LIIFC in Tianchang City over the next 12-18 months.

What could upgrade the rating?

The rating could be upgraded if (1) the Tianchang City Government's capacity to provide support strengthens; and (2) the Company's characteristics change in a way that enhances the local government's willingness to provide support, such as lower exposure to risky commercial activities.

What could downgrade the rating?

The rating could be downgraded if (1) the Tianchang City Government's capacity to provide support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to provide support, such as reduced strategic significance, decrease in government support or higher exposure to risky commercial activities.

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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