

## Credit Opinion

16 January 2025

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	BBB <sub>g</sub> +
Outlook	Stable

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## Taixing City Investment Development Group Co., Ltd.

### Surveillance credit rating report

**CCXAP upgrades the long-term credit rating of Taixing City Investment Development Group Co., Ltd. to BBB<sub>g</sub>+, with stable outlook.**

### Summary

CCXAP has upgraded the long-term credit rating of Taixing City Investment Development Group Co., Ltd. ("TXCI" or the "Company") to BBB<sub>g</sub>+, from BBB<sub>g</sub>, reflecting the improved comprehensive strength of Taixing City and the Company's importance in public policy as one of the largest state-owned enterprises in Taixing City.

The BBB<sub>g</sub> long-term credit rating of TXCI reflects (1) Taixing City Government's very strong capacity to provide support; and (2) the local government's very 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 policy role in public-related activities in Taixing City; (2) track record of receiving government support; and (3) good access to diversified funding sources.

However, the rating is constrained by the Company's (1) moderate risk exposure to commercial activities; (2) moderate debt management and weak asset liquidity; and (3) high exposure to contingent liabilities.

The stable outlook on TXCI'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 in the next 12-18 months.

## Rating Drivers

- Important policy role in public-related activities in Taixing City
- Moderate risk exposure to commercial activities
- Moderate debt management and weak asset liquidity
- Track record of receiving government support
- Good access to diversified funding sources
- High exposure to contingent liabilities

## Rating Sensitivities

### What could upgrade the rating?

The rating could be upgraded if (1) Taixing City 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 a material reduction in external guarantees 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 or deteriorated debt management.

## Key Indicators

	2021FY	2022FY	2023FY	2024H1
Total Assets (RMB billion)	66.3	69.7	73.3	76.7
Total Equity (RMB billion)	27.0	27.4	27.7	27.8
Total Revenue (RMB billion)	10.0	8.2	6.3	3.1
Total Debt/Total Capital (%)	53.4	55.5	57.6	59.9

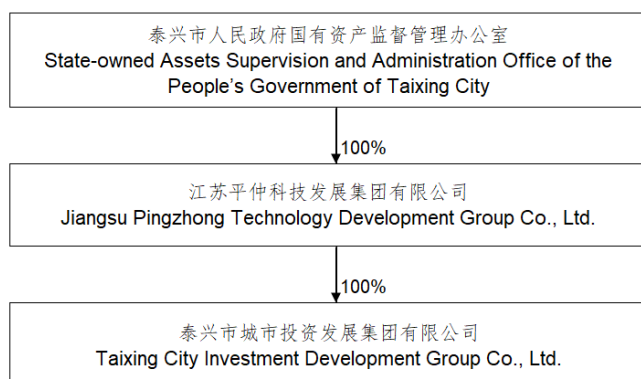
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

## Corporate Profile

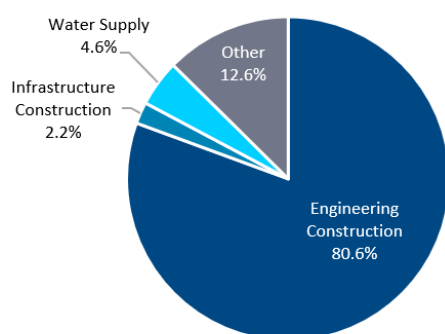
Established in 2019, TXCI is one of the key local infrastructure investment and financing companies ("LIIFCs") in Taixing City, Taizhou City. As the main state-owned assets operator and developer in Taixing City, the Company plays an important role in public-related businesses, including infrastructure construction, land consolidation, water supply, and affordable housing businesses. The Company also undertakes commercial activities such as engineering construction contracting and real estate development. On 6 December 2024, the State-owned Assets Supervision and Administration Office of the People's Government of Taixing City ("Taixing SASAO") transferred 100% of the Company's shares to Jiangsu Pingzhong Technology Development Group Co., Ltd. ("JSPZ"). As of 31 December 2024, the Company was wholly owned by JSPZ and ultimately controlled by Taixing SASAO.

### Exhibit 1. Shareholding chart as of 31 December 2024



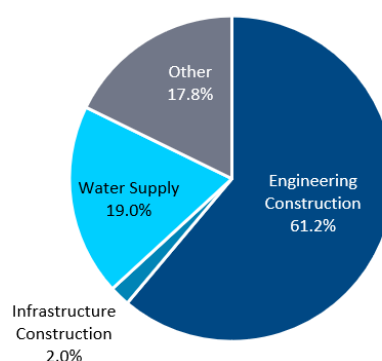
Source: Company information, CCXAP research

### Exhibit 2. Revenue structure in 2023



Source: Company information, CCXAP research

### Exhibit 3. Gross profit structure in 2023



## Rating Considerations

### Government's Capacity to Provide Support

We believe the Taixing City Government has a very strong capacity to provide support, based on its relatively good comprehensive strength, with fast economic growth and good fiscal stability.

Jiangsu Province is one of the leading developed provinces in China. It is home to many of the world's leading electronic equipment, chemical, and textile enterprises, and is the second largest province in China by gross regional product ("GRP"), after Guangdong Province. In 2023, Jiangsu Province's total GRP amounted to RMB12.8 trillion, a year-over-year ("YoY") increase of 5.8%; the GRP per capita was RMB150,487, ranking first among all provinces in the country. In the first three quarters of 2024, Jiangsu Province achieved a GRP of RMB9.8 trillion with a YoY increase of 5.7%.

Taizhou City is a prefecture-level city located in the central region of Jiangsu Province, with pharmaceutical, electric, chemical, and shipbuilding as its pillar industries. In 2023, Taizhou City's fixed asset investment achieved nearly double-digit growth owing to the contribution of industrial investment and large-scale project investment. With the vigorous development of the industrial sector, Taizhou City has achieved sustained economic growth. In 2023, the GRP of Taizhou City was RMB673.2 billion, representing a YoY increase of 6.8%. Taizhou Municipal Government's general budgetary revenue increased from RMB42.0 billion in 2021 to RMB44.0 billion in 2023. Taizhou City also has a good fiscal balance, with a fiscal balance ratio averaging 70% for the past three years. As of the end of 2023, the outstanding debt of Taizhou Municipal Government increased

to RMB107.1 billion, accounting for 15.9% of the GRP. In the first three quarters of 2024, Taizhou City's GRP reached RMB514.5 billion with a YoY increase of 5.0%.

#### Exhibit 4. Key economic and fiscal indicators of Taizhou City

	2021FY	2022FY	2023FY
GRP (RMB billion)	602.5	640.2	673.2
GRP Growth (%)	10.1	4.4	6.8
General Budgetary Revenue (RMB billion)	42.0	41.7	44.0
General Budgetary Expenditure (RMB billion)	66.8	70.4	69.7
Local Government Debt (RMB billion)	96.6	100.1	107.1

Source: Statistics Bureau of Taizhou City, CCXAP research

Located in the center of Jiangsu Province and the lower reaches of the Yangtze River, Taixing City is a county-level city under the jurisdiction of Taizhou City and one of the pilot counties which are directly administered by the Jiangsu Provincial Government. Owing good natural conditions with rich mineral reserves and a natural harbor, Taixing City serves as an important port city and transportation hub in Jiangsu Province and the Yangtze River Delta Region. Taixing City has relatively good comprehensive strength, ranking 32nd among China's Top 100 counties in 2024, according to CCID consulting. Benefiting from the growth in the industrial sector led by chemical, medicine, mechanical and electrical industries, and the policy to stimulate the development of emerging industries such as new chemical materials, new energy, and new food raw materials, Taixing City achieved rapid economic growth and a large economic volume. Taixing City's GRP ranked 1<sup>st</sup> among all districts or counties in Taizhou City over the past three years. In 2023, Taixing City recorded a GRP of RMB146.0 billion, increasing by 6.5% YoY. In the first three quarters of 2024, Taixing City's GRP achieved RMB105.4 billion, an increase of 4.1% YoY.

Taixing City has a good fiscal profile with good fiscal self-sufficiency and revenue-generating ability. In 2023, the general budgetary revenue increased to RMB9.7 billion from RMB9.0 billion in 2022, with tax revenue rising to RMB7.0 billion from RMB6.2 billion. At the same time, the 3-year average fiscal balance ratio (general budgetary revenue to general budgetary expenditure) was 73.3%; and the 3-year average fiscal stability (tax revenue/general budgetary revenue) increased to 74.0%. Government fund budget revenue is an important supplement to fiscal revenue. However, due to the sluggish land market, Taixing City's government fund budget revenue has been on a downward trend in the past three years. As of end-2023, Taixing City Government's outstanding direct debt slightly decreased to RMB26.7 billion, accounting for around 18.6% of GRP.

#### Exhibit 5. Key economic and fiscal indicators of Taixing City

	2021FY	2022FY	2023FY
GRP (RMB billion)	127.3	136.7	143.5
GRP Growth (%)	9.9	5.5	6.5
General Budgetary Revenue (RMB billion)	9.3	9.0	9.7
General Budgetary Expenditure (RMB billion)	11.8	12.8	13.7
Local Government Debt (RMB billion)	27.5	26.8	26.7

Source: Statistics Bureau of Taixing City, CCXAP research

### Government's Willingness to Provide Support

#### Important policy role in public-related activities in Taixing City

In December 2024, Taixing SASAO transferred 100% of the Company's shares to JSPZ. The main subsidiaries of JSPZ are TXCI and Taixing Hongqiao Port Comprehensive Development Group Co., Ltd. Despite the change in its shareholding structure, the Company's positioning and regional importance in Taixing City remains unaltered.

TXCI is the primary state-owned assets operation entity in Taixing City, with strong regional franchise advantages in various public-related activities such as infrastructure construction, land consolidation, water supply, and affordable housing development. The Company has consolidated several state-owned enterprises in Taixing City since its establishment and conducts its businesses mainly through its subsidiaries.

TXCI is the main infrastructure construction entity in Taixing City, mainly responsible for projects related to social undertakings, urban roads and water conservancy construction, which significantly benefits people's livelihood and promotes the urbanization development in Taixing City. Commissioned by local government and relevant departments, it invests in and develops urban infrastructure projects mainly under the agent construction model, and books project costs plus a rate of return ranging from 10%-20% as revenue after completion and inspection of the projects. As of 31 December 2023, the Company had 7 key infrastructure construction projects under construction with a total estimated investment of around RMB7.8 billion and an uninvested amount of RMB1.5 billion; and had no planning infrastructure construction projects. Overall, TXCI's infrastructure construction business is relatively sustainable given its sufficient project reserves.

In addition, TXCI runs water supply business in Taixing City with monopoly advantages, providing water supply and water facility installation services. As of the end of 2023, the Company owned 2 water plants and was authorized to operate a water plant, totaling a daily water supply capacity of 300,000 tons and supplying water to 507.6 thousand households. The water supply business shows sound development momentum, given the stable increasing number of customers and revenue. Compared to last year, its revenue increased from RMB170.9 million to RMB 290.0 million in 2023, mainly driven by the inclusion of government subsidies for water supply in operating income. As of 31 December 2023, the Company had 3 water conservancy upgrading projects under construction, mainly the construction of water supply booster stations, with a total investment of RMB392.0 million and an outstanding amount of RMB274.0 million.

#### **Exhibit 6. Key projects under construction as of 31 December 2023**

Project type	No. of projects	Budgeted amount (RMB billion)	Invested amount (RMB billion)	Outstanding amount (RMB billion)
<b>Project under construction</b>				
Infrastructure construction	7	7.8	6.3	1.5
Water conservancy	3	0.4	0.1	0.3
<b>Total</b>	<b>10</b>	<b>8.2</b>	<b>6.4</b>	<b>1.8</b>

Source: Company information, CCXAP Research

TXCI also develops affordable housing such as Xinghe Garden and Huihe Garden in Taixing City, mainly responsible for the development and sale of housing to specific groups at prices under government guidance. As of the end of 2023, the Company completed 10 key affordable housing projects with a total investment of RMB1.6 billion, most of which were sold out. At the same time, the Company had no affordable housing projects under construction and planning.

As the main developer and operator of Taixing City, TXCI will focus on urban renewal projects in the future including both primary and secondary land development such as housing demolition, relocation of residents,



land clearance, resettlement housing, and commercial real estate development. With the ongoing development of land consolidation business, TXCI owned a large amount of land reserves with a value of around RMB19.6 billion as of end-2023, which in turn can ensure the sustainable development of urban renewal projects.

### **Moderate exposure to commercial activities**

TXCI also has been engaged in commercial activities, mainly including construction contracting and real estate development. Although the commercial activities generate supplementary revenue and profit for the Company, they may also pose certain operating risks to the company. We estimate that TXCI maintained moderate commercial exposure, accounting for 15% to 20% of its total assets.

TXCI is engaged in the engineering construction business through one of its wholly-owned subsidiaries, namely, Taixing Yijian Construction Group Co., Ltd. ("Taixing Yijian"), which holds a premium construction qualification and is the leading engineering and construction company in Jiangsu Province. It mainly provides construction contracting services as a general contractor for real estate development projects in Taixing City and other regions/cities in China such as Guangdong Province and Shanghai City. The client is required to pay a certain proportion of construction fees and expenses before the beginning of the project and pay monthly pursuant to the construction progress by each month's end. Major clients include real estate developers such as Overseas Chinese Town Enterprises Co., Ltd. and China Vanke Co., Ltd. Prior to delivery of completed projects, 70%-80% of the progress payment shall be paid by the client, and the remaining amount shall be paid within one year after the acceptance and handover of the project excluding quality assurance deposit. The relatively diversified suppliers and clients indicate low concentration risk. The business is sustainable given large number of contracted construction projects, with an aggregated outstanding contract amount of around RMB11.8 billion as of end-2023. The construction contracting business is the major income source of the Company, contributing 82% of total revenue in 2023. However, the revenue from engineering construction business has declined over the past three years, and both the newly signed projects and existing projects have shown a downward trend. Under the recent downturn of the real estate industry, the construction demand of developers might continue to decline, which may negatively impact the revenue from this business.

Despite TXCI's real estate development business is mainly affordable housing, the Company undertakes the commercial real estate development in Taixing City. As of end-2023, there were 4 commercial real estate projects on sale with a total investment amount of RMB1.8 billion. Among them, the sales and payment collection progress of Yinfeng Jiayuan and Wenjiangyin are relatively lagging behind. As of the end of 2023, their sales progress was 33%. Uncertainty exists in the engineering construction and commercial real estate development business as it is highly subject to the real estate market which is under a downturn period.

The Company also carries out self-operated projects to expand its business scope. As of 31 December 2023, the Company had 2 projects under construction, an office building and a landfill, with a total investment of RMB799.0 million and an uninvested portion being RMB387.0 million, bringing certain capital expenditure pressure to the Company. The Company is expected to achieve fund balance by leasing income and the garbage disposal fee.

### **Track record of receiving government support**

TXCI has a track record of receiving support from the local government in terms of cash injections, asset injections and financial subsidies. Since its establishment, TXCI has received cash and asset injections such as equity shares and buildings from the local government, which has greatly improved its capital strength and increased operating assets. From 2022 to 2024H1, the Company received a total of around RMB925.8 million

in financial subsidies, mainly related to its infrastructure construction and affordable housing. Considering TXCI's important position and tight relationship with the local government, we expect the local government will continue to support TXCI over the next 12 to 18 months.

### **Moderate debt management and weak asset liquidity**

With the continuous financing for construction projects, the Company demonstrated ongoing debt growth. As of 30 June 2024, its total debt increased to RMB41.5 billion from RMB38.5 billion as of mid-2023, while its total capitalization ratio increased to 59.9% from 58.4% during the same period. Meanwhile, the short-term remained a relatively large portion of total debt, accounting for 40.8% as of 30 June 2024. At the same time, the cash to short-term debt ratio decreased to around 0.3x at mid-2024, indicating that its cash balance could not fully cover its short-term debt. We expect that the Company will continue to rely on external financing such as bank loans and its debt burden will increase, considering ongoing investment in projects under construction in the next 12-18 months.

In addition, TXCI's asset liquidity was relatively weak, with a large number of low-liquid inventories and other receivables. As of 30 June 2024, its inventories accounted for 50.2% of total assets, mainly consisting of land use rights and costs from the infrastructure construction projects. The Company had some infrastructure projects that have not yet completed settlement, resulting in capital accumulation and prolonged payment collection, negatively impacting its asset liquidity; the Company's other receivables mainly consist of transactions with the government or other state-owned enterprises, with a relatively long account period, accounting for 18.0% of total assets at mid-2024. As of 31 December 2023, the Company's debenture assets which were mainly from local state-owned enterprises, increased by 93.8% to RMB5.6 billion, accounting for 7.7% of the total assets, and generated an investment income of RMB133.7 million in 2023. Moreover, the Company had pledged a number of assets for loans, mainly inventories and investment properties, accounting for 11.2% of its total assets.

### **Good access to diversified funding sources**

TXCI has sufficient stand-by liquidity and diversified funding channels, including bank loans, bond issuances, and non-standard financing products, which may partially release capital expenditure pressure and refinancing pressure. As of 30 June 2024, the Company's total credit facilities amounted to around RMB42.2 billion, of which the unutilized portion was around RMB24.3 billion. Furthermore, TXCI has a proven track record of financing from both onshore and offshore debt markets. The Company and its subsidiary, Taixing Zhongxing State-owned Asset Management and Investment Group Co., Ltd. ("Taixing Zhongxing") have issued different financial products in the bond market such as medium-term notes ("MTN") and private placement notes ("PPN"). For instance, the Company issued 8 tranches of 3-year PPNs in 2024, with coupon rates ranging from 2.34% to 3.15%, raising RMB3.3 billion in the onshore bond market. In 2024, the Company issued a three-year offshore bond with a coupon rate of 3.6% to raise RMB645.0 million. In addition, the Company maintained a manageable exposure to non-standard financing, accounting for less than 10% of its total debt as of 30 June 2024.

### **High exposure to contingent liabilities**

TXCI remained high exposure to contingent liabilities as its external guarantees amounted to RMB13.4 billion as of 30 June 2024, relative to 48.3% of net assets. The Company reduced the external guarantees provided to privately-owned enterprises and all existing external guarantees were provided to other state-owned enterprises in Taixing City. Mutual guarantees between local state-owned enterprises are common in Taixing

City. However, in case a credit event occurs, the Company may face certain contingent liability risks and cross default risks, which are negative to its credit quality.

## ESG Considerations

TXCI is exposed to environmental risks because it has undertaken the infrastructure construction business. Such risks could be moderated by conducting environmental studies and planning before the commencement of projects, as well as close supervision during the construction phase.

TXCI faces social risks as a public services provider in Taixing City. Demographic changes, public awareness and social priorities shape the government's target for TXCI, or affect the government's propensity to support the Company.

TXCI's governance considerations are also material as the Company is subject to oversight and requirements to the local government, 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 \(July 2022\)](#).

## Appendix

### Exhibit 7. Peer Comparison

	Taixing City Investment Development Group Co., Ltd.	Taixing Jinjiang Investment Co., Ltd.
Long-Term Credit Rating	BBB <sub>g</sub> +	BBB <sub>g</sub>
Shareholder	Jiangsu Pingzhong Technology Development Group Co., Ltd. (100%)	Taixing Port Group Co., Ltd. (85%) and Taixing Ruitai Industrial Investment Group Co., Ltd. (15%)
Positioning	Core entity in the infrastructure construction and public activities of Taixing City	Key role in construction and development of the southern area and Daily Chemical Industry Park of Jiangsu Taixing Economic and Technological Development Zone
Total Assets (RMB billion)	73.3	24.9*
Total Equity (RMB billion)	27.7	12.0*
Total Revenue (RMB billion)	6.3	1.0*
Total Debt/Total Capital (%)	57.6	45.7*

All ratios and figures are calculated using CCXAP's adjustments based on financial data in 2023 (\*: using financial data in 2023Q3).

Source: Company information, CCXAP research



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